Economics Imperialism and Intellectual Progress: The Present as History of Economic Thought?

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1 Introduction

It is not often that I find myself in agreement with *The Economist* on a matter of economic theory. But, in its issue in the week before Christmas 1998, it repeated an exercise of ten years earlier in speculating about who were to become the rising stars within academic economics. Deploying the metaphor of astronomy's big bang, it claims that the previous predictions had been borne out as 'the effects of new analytical tools developed in the 1970s spread out from the profession's core like a shockwave'. This is a reference to the new micro-foundations of economics, those drawing upon market, especially informational, imperfections. Further, with explicit reference to 'economic imperialism', it suggests that, 'unlike the stars of the 1980s, today's impressive young academics are using the tools of economics in fields on or beyond the traditional borders of their discipline' (Anon. 1998, p.143). In particular, 'these economists take seriously what every layman knows: that people don't always behave in selfish or even rational ways'. *The Economist* had identified two important and closely related developments within economics. On the one hand, it has been colonising the other social sciences. On the other hand, it appears to be addressing the social in the form of customary as opposed to individualistic behaviour.

The next section of this paper suggests that economics has long had the capacity and has sought to colonise other social sciences. It has, however, only achieved limited success because of its alien methods and its need to take the social as given. Section 3 argues that there is now a newer version of economics imperialism drawing upon the new micro-foundation principles associated with information imperfections.[1] By means of a rough overview of post-war developments within economics, the section pinpoints what is distinctive about the new micro-foundations, the intellectual rationale for them to emerge, and their significance for strengthening the colonisation of other social sciences by economics. In brief, the new micro-foundations are a response to the challenge from the new classical economics, justifying the rejection of perfectly clearing markets. They are purported to be able to explain market failure on the basis of optimising individuals. But the analysis is extended further to address the social, whether the latter be understood as non-economic or collective forms of behaviour. For the social is reduced to the optimal, often equilibrium, response to market failure, albeit wrapped around path dependence, multiple equilibria, initial conditions, dynamics and the like. Such developments have considerably enhanced the capacity of economics to colonise other social sciences, not least as insights from economics are incorporated informally, and as the most extreme forms of postmodernism are losing their influence.

Section 4 presents illustrations of the way in which economics imperialism is bringing the social back into its analysis, drawing upon the new economic sociology, the new institutional economics, the new economic history, the new development economics, and the all-embracing notion of social capital. Elsewhere,

the general case has been made in positing the current significance of economics imperialism, and it has been supported by particular case studies.[2] The purpose here is to provide an overview of this earlier work, for the colonisation of the other social sciences is a rich, complex and diverse landscape, replete with fault lines as well as empty spaces.

The closing section also seeks to move forward by locating the shifting relationship between economics and other social sciences in terms of whether it represents intellectual progress, not least in view of the triumphant claims of mainstream economists. The (re)incorporation of economics into social theory and the associated commitment to interdisciplinarity is to be welcomed. But that it should be attached to economics imperialism is disturbing, leading to doubts about intellectual progress as a result of its direct influence, as its proponents would claim. Necessarily, the answer depends upon the criteria adopted to judge progress and the perspective from which they are applied. Broadly the conclusion is drawn that economics imperialism will prove progressive only to the extent that it prompts an alternative to the mainstream - rather than a retreat from its incursions - in the form of a genuine political economy.

2 The Old Imperialism

As is well-known by historians of economic thought, the marginalist revolution established mainstream, neoclassical economics in ways that went far beyond reliance upon marginalist principles in providing a systematic analysis of supply and demand.[3] In particular, two important features are crucial for the themes to be developed in this paper. First, the economy became identified with the market, with broader social and political relations fading into the exogenously given background, and to be studied by other social sciences. In other words, the economy as market relations was constituted as a distinct object of study, with the discipline of economics to undertake the task. Second, the focus of analysis shifted to the individual and optimising behaviour in the form of utility maximisation (with profit maximisation by firms or entrepreneurs as a corollary).

Now, these two features have become so much taken for granted as conventional wisdom within the discipline that they tend to be adopted unquestioningly within much teaching and research.[4] Although summarised terminologically in the shift from political economy to economics, each involves excising the social from the economy,[5] albeit in different ways. On the one hand, the broadly social gives way to the narrowly economic, with a correspondence between these and the non-market and the market, respectively. Hence, with the social as non-market absent, there has been a longstanding recognition that this leaves much of the economic unexamined, such as the existence of firms, hierarchies and other institutions, such as those around labour markets.[6]

On the other hand, the notion of society gives way to that of a collection of optimising individuals. Consequently, in contrast to the vast majority of social theory, there is no notion of the social as independent of individuals, whether it be as structure (e.g. stratification), agency (institutions), processes (modernisation), or systemic functions (legitimisation) unless it be to take these as exogenously given and faded into the background. Indeed, as Velthuis (1999) observes, the most prominent and orthodox of sociologists, Talcott Parsons, considered that economics and sociology should be kept sharply distinct in view of their methodological differences and intellectual division of labour - one dealing with the social and the other with the individual. As these features have hardened, it has become

commonplace to complain that economists know very little about the world they inhabit. Most recently, Blaug (1998a, p.11) reports a survey finding a lack of interest in the real world on the part of elite graduate economics students as opposed to their highly tuned knowledge of econometrics and mathematical economics. [7] Equally important, however, and less observed, is that economics is notable for a lack of interest in the history of itself as a discipline, so that the study of the classic works in the discipline (the history of economic thought) is established as a separate, and increasingly marginal, field.[8] This is in contrast to sociology or politics, for example, where the classics remain central to mainstream research and teaching.

Given the extent to which economics has proven indifferent to the real world and to its own evolution as a discipline, it has become characterised by an internal, logical momentum of its own in which technical formalism has attained prodigious proportions and completely predominates over conceptual advance and reflection.[9] Assumptions and methods are sacrosanct for the mainstream, as in its reliance upon the particular form of methodological individualism centred on utility maximisation.[10] Mainstream economists rely heavily, if not exclusively, on economic rationality, although they might differ over its range of application.[11] This is a crucial logical point, for the explanatory categories deployed by the mainstream are not historically and socially delimited. They are universal in application - unlike what they seek to examine, as in prices, wages and profits, for example. Utility, endowments, inputs, outputs, production functions and so on, are timeless and disembodied from any particular form of organisation. Consequently, the convention of exclusive preoccupation with the economy as the isolated sum of market relations is precisely that, a convention, and is not logically required. The economy can be understood in a broader sense as extending beyond the market place and, possibly the same thing in other terms, the conventionally non-economic can be addressed by deploying the standard economic principles. Accordingly, with the marginalist revolution, there is a tension between the universal applicability of the tools of neoclassical economic theory and the initial marking out of a distinct discipline as the science of the economy as market. Paradoxically, as the explanatory principles shrink - from the social to the individual and from human behaviour to utility maximisation - so their potential range of application expands!

The effect, though, of broadening the scope of application of economic principles is to encroach upon the subject-matter of the other social sciences. These generally incorporate different traditions and methods that are incompatible with neoclassical economics because of their concern to address the social directly and on a much broader canvas than utility maximisation. Not surprisingly, the attempted application of the economic to the non-economic is far from new. It has been acknowledged under the rubric of 'economic imperialism'. Swedberg reports the term as having been introduced in the 1930s by Ralph William Souter, who suggested that:

> The salvation of Economic Science in the twentieth century lies in an enlightened and democratic 'economic imperialism', which invades the territories of its neighbors, not to enslave them or swallow them up but to aid and enrich them and promote their autonomous growth in the very process of aiding and enriching itself. (Swedberg 1990, p.14)

More recently, Gary Becker has played the major role in leading the invading force, applying neoclassical economics to a range of non-economic problems such

as education, the family, crime, and addiction.[12] As he puts it himself, '"Economic imperialism" is probably a good description of what I do' (Becker 1990, p.39).[13]

Becker has achieved considerable success, not only within economics as a Nobel prizewinner, but also by establishing a presence, not always acknowledged, in other disciplines. Most important has been the universal acceptance of the notion of human capital. Yet, Becker (1993, p.xix) observes, 'a dozen years ago, this terminology would have been inconceivable'. The obstacle to acceptability of the approach centred on an aversion to the notion of education as comparable to an accumulated physical asset with productive potential. This seems to have dissipated. Similar concerns arose with the new household economics: 'when I gave my first paper on population, I said I was treating children as "durable consumer goods". There was laughter in the audience … as much from the economists as from sociologists and the demographers' (Becker 1990, p.33)[14]

3 The New Revolution around Economics

Whilst in a number of areas Becker might be considered to have laughed last, longest and loudest, his and others' assaults upon the other social sciences have been limited, proving most successful where rational choice theory had gained hold or where, as for human capital theory, such notions could be adopted, adapted and used with little or careless regard for their roots within mainstream economics and even contradicting its conceptual framework - as in social stratification by human capital. Antipathy to Becker, surprisingly strong even amongst numbers of his fellow economists, arises out of the view that he does not go far enough in his understanding of the basis for human action and that he goes too far in the application of 'economic rationality' to all walks of life, often in the context of an 'as if' perfectly competitive partial equilibrium. Akerlof, for example, clearly sees himself as seeking to incorporate non-economic insights into economics in contrasting his approach to that of Becker, who is perceived to rely too much on market-clearing and rationality, rather than on 'why the economy is not working'. Akerlof even lampoons Becker in terms of Samuelson's image of Friedman as having learnt to spell banana but not knowing when to stop! (Akerlof 1990, pp.61, 72, 73). Schelling (1990, p.194) confirms Akerlof's self-image, as the latter 'is more creative … (and) does the opposite of economic imperialism. He looks into sociology for concepts that he can import into economics'.[15] Significantly, Akerlof's classic paper on the market for lemons is reported to have been rejected by both the *American Economic Review* and the *Journal of Political Economy* in the mid-1960s before being accepted by the *Quarterly Journal of Economics* for publication in 1970 (Akerlof 1990, p.65). The profession was not yet ready for the new information-theoretic approach.

By the 1990s, the situation had changed. For Swedberg, whether it is Becker taking economics to sociology or Akerlof bringing sociology to economics, a major shift is taking place across the boundaries between the two disciplines[16]: 'What is happening today is very significant: *the border between two of the major social sciences is being redrawn, thereby providing new perspectives on a whole range of very important problems both in the economy and in society at large*' (Swedberg 1990, p.5). I would make a stronger and broader claim. Over the past decade or so a revolution has been proceeding in or, more exactly, around economics. The germane developments within the discipline are familiar enough. They concern the new micro-foundations of macroeconomics, or the new information-theoretic economics, as it is termed by Stiglitz (1994).[17] This is a

theory of market imperfections in which informational asymmetries and imperfections are brought to the fore in order to explain why markets might clear at Pareto-inefficient levels, why they might not clear, and why they may be absent altogether. Whilst none of these results is new in the sense that they were previously possible on the basis of old market imperfections free of informational considerations, the information-theoretic approach provides for a remarkable result. Instead of necessarily taking the social as given, the social is now open to explanation, despite continuing dependence upon optimising individuals.

Here the social comprises two different elements, as previously suggested, in terms of what the marginalist revolution set aside. On the one hand, the social is understood as the non-market, those activities lying outside the domain of supply and demand in the form of monetary exchange. On the other hand, the social is acknowledged in the form of what appears, falsely, to be irrational behaviour from the perspective of utility-maximising individuals. This applies to customary behaviour whether brought to the market or not. Without going into details, both forms of the social are shown to be the rational response to informationally imperfect market relations. The structuring of the economy (in financial or labour markets, for example), the divisions between the market and the non-market (and the structuring of the latter), the formation of institutions, and collective as opposed to individualistic behaviour are all subject to explanation on the basis of a continuing methodological individualism, albeit in the presence of market (especially informational) imperfections and path dependence of some sort or other.

This is truly a remarkable result in analytical terms, appearing to overcome one of the formidable barriers between economics and the other social sciences. For, previously, the social had to be taken as given or as irrational from the perspective of mainstream economics. Now the social has not only been endogenised, it also continues to be constructed on the basis of the optimising behaviour of individuals. A powerful weapon is made available in the thrust of economics imperialism. For, in its earlier incursions, most notably in the work of Becker, the social had been examined almost exclusively in terms of an 'as if' market. The subject-matter of the other social sciences is more or less brushed aside as failing to provide micro-foundations for its social theory, which is presumed to be arbitrary. With the new micro-foundations, economics both takes the social seriously as something distinct from the economic, and provides a rationale for it.

Before examining the impact of these developments within economics on other social sciences, it is worth locating them within economics itself.[18] Until the end of the post-war boom, mainstream economics had been dominated by what might be termed a complacent Keynesianism. It was presumed to underpin the macroeconomic policy that would guarantee full employment, whilst microeconomics provided a rationale for government intervention in detail to correct market imperfections. The Keynesian accommodation between macro and micro, between theory and policy, and between all of these and the evidence of the boom itself, was rudely shattered both by the stagflation of the 1970s and the associated intellectual and ideological assaults launched by neo-liberalism. Friedman's monetarism ultimately gave way to the new classical economics, and rational expectations, that argued that systematic macro policy would be rendered ineffective by the anticipation of its effects by optimal use of information by calculating economic agents. With the rise of neo-liberalism, government expenditure was perceived to be excessive and government intervention as

inducing inefficiency. Far from perfect competition and general equilibrium being the ideal, from which deviations in the form of market imperfections justified state intervention, the ideal of attaining the free market and minimal state gave rise to what Carrier and Miller (1998) refer to as the new economic 'virtualism' - the imperative to remould the world to conform to an imagined ideal, that of perfectly competitive equilibrium.

Neo-liberalism had the advantage of forging a link between micro and macro, if only in the vacuous sense of emphasising the leaving of the micro 'supply-side' to the market, with the macro demand-side also looking after itself, apart from targeting the money supply. Neo-liberalism further undermined confidence in the state by questioning its efficiency and motivation in view of rent-seeking and corruption. In short, in the face of neo-liberalism, economic theory confronted two challenges. On the one hand, why are market imperfections so important? On the other hand, why would an improvement be guaranteed by intervention given that government may be worse than market failure?

The new micro-foundations has provided a framework for addressing these issues. But it has done so in a particular intellectual and ideological context marked by the reaction against neo-liberalism. Consequently, quite apart from continuing and reinforcing the traditional unworldliness and technicism of economics as a discipline, neo-liberalism (and the new classical economics as its academic counterpart) had the effect of posing an analytical agenda in terms of why individuals might not behave rationally, why markets might not work, and why non-market relations exist and might even be desirable. In addition, neo-liberalism by its own efforts had done much to undermine the presence of an alternative to the mainstream in the form of radical political economy. The new micro-foundations have had the effect of undermining it further through a sort of internal colonisation within economics. For the new theory is able to address the traditional concerns of radical political economy in terms of market imperfections, as opposed to class, power and conflict. An outstanding illustration is provided by segmented labour market theory which, even as late as the mid-1980s, was perceived to be incoherent by the mainstream. Within a decade, it had been reconstructed along neoclassical lines to explain why labour market structures might arise as a result of efficiency wages and the like.[19] As Hodgson (1994, p.22) puts it, 'as yet, the "political economy" term does not itself provide a secure defence against the ravages of economic imperialism'.

Thus the revolution in and around economics has challenged neo-liberalism, but only by consolidating methodological individualism and by relying exclusively upon market imperfections as the explanatory framework for both economic and non-economic phenomena. Whether drawing upon Becker-type 'as if' market analysis or on information-theoretic principles, it has given rise to a rush of new applications, encroaching on and influencing other social sciences to a greater or lesser extent - as witnessed by the new institutional economics, the new political economy, the new household economics, the new economics of crime, the new growth theory, the new development economics, the new labour economics, the new financial economics, the new economic geography, and so on.[20]

Yet it is the new information-theoretic approach that is in the vanguard of the colonising thrust. Is it really distinctive from the Becker-type 'as if' market approach? As already observed, as recently as a decade ago Becker was treated almost with contempt by his fellow economists for his 'bananalysis', the failure to move beyond traditional neoclassical economics in addressing the non-market. For Becker, it has been a matter of principle to explain as much as possible on this

basis. As a result, his work has been marked by a blind spot when it comes to the new micro-foundations, almost an absolute failure to acknowledge its existence.[21] In short, the new micro-foundations are all about the world as market imperfections, especially when it comes to labour and financial markets. Significantly, unemployment and money are also notable for their absence in Becker's 'as if' perfect market world and its non-market applications. Thus there are substantive differences between Becker and the old imperialism and Stiglitz and the new, both in analytical principles (with the former a special and uninteresting case of the latter) and world-view (perfect as opposed to imperfect markets).[22] Further, to reiterate, the new approach is more fertile in opening up the other social sciences for colonisation. Not only is it more 'realistic' from their perspectives, but it also endogenises the social as something other than 'as if' perfect market.

But it would also be a mistake to exaggerate the differences between Becker and Stiglitz, the old and the new, not least because representatives of the latter often present themselves, falsely, as breaking with neoclassical economics by identifying it with perfect competition. For both old and new continue to rely upon methodological individualism and the standard toolbox of techniques and assumptions, albeit augmented by game theory and probabilistic optimisation. Both are doubly guilty of reductionism: one of the social to the economic and of the economic to the 'as if' market; the other of the social and the economic to the 'as if' response to market imperfections. Last, in a paradoxical twist, Becker (1996) has in one respect leapt ahead of his erstwhile critics by being the first prominent economist to deploy the notion of social capital, discussed briefly below, although his treatment depends more upon the social as individual interaction as such rather than on a response to informational imperfections.

4 The Revolution Portrayed

The previous section has provided a cursory account of the intellectual climate as far as economics is concerned. The environment around the other social sciences has its own character. Oversimplifying and overgeneralising, there is now something of a retreat from the excesses of postmodernism, which was itself marked by a flight from the objective to the subjective. Of course, economics was remarkably untouched by the impact of postmodernism. However, as the latter's influence wanes, social sciences other than economics are strengthening their interest in the material world, of which economic issues form a part. As a result, other social sciences are particularly vulnerable to the colonising incursions of economics, especially in view of its newfound micro-foundations. Yet it would be a mistake to see economics as simply sweeping unhindered and uniformly across the other social sciences, for a variety of reasons. First, as will be seen, even if economics has become more attractive or acceptable in view of its ability to address the social, it is still riddled with problems from the perspective of other social sciences. Second, whilst economics is heavily reliant upon formal mathematical models, this is not usually characteristic of the other social sciences. Consequently, the results from economics tend to be incorporated in an informal fashion reflecting the character of the recipient discipline just as, for example, human capital has been deployed in a variety of ways across the social sciences without necessarily reflecting precisely its original meanings within economics. Third, by the same token, the extent and nature of influence of a colonising economics depends upon the intellectual traditions and momentum of its host. The

outcome will inevitably be uneven from discipline to discipline and from topic to topic. For example, in contrast to the influence of human capital theory, the explosive growth of interest in consumption across the social sciences has been more or less unaffected by economics, not least because it is heavily concerned with the meaning of objects as well as their provision.[23]

One factor in the impact of economics imperialism is the extent to which a rational choice approach has a presence (and can be strengthened). In the case of sociology, this has given rise to a questioning of whether economics is being taken to sociology or vice-versa - as already observed in the contrast drawn between Becker and Akerlof, one which is mirrored in some respects by the differences between Becker and Coleman, a rational choice sociologist also at Chicago, and a close collaborator with Becker. As Swedberg puts it:

> Becker … is mainly concerned with how the neoclassical analysis can be extended to areas outside the economy. Coleman, on the other hand, is trying to recast sociology on the basis of rational choice. Therefore he is more concerned with maintaining certain traditional sociological features in the analysis than Becker. (Swedberg 1990, p.6)

However, methodologically, these differences are not substantive, since they reflect a difference in starting-point rather than a major difference in content. For economists, the starting-point is a perfectly working market which is then reconstructed with a social content in the light of market imperfections. This content has to be shown to be consistent with economic rationality in the light of informational imperfections. Sociologists, on the other hand, start from the social as defined by their disciplinary traditions and seek to reconstruct it on the basis of rational choice.

Consider, for example, the attempt by Coleman to lay out the appropriate domain of social theory. He begins by suggesting that it must focus on society as a whole and individuals (with intermediate categories). As a result, there are four possible types of theory depending on how society and individuals are related to one another causally: society-society, society-individual, individual-society and individual-individual. He concludes that 'the central theoretical problem in sociology is the transition from the level of the individual to a macro level - the problem that economists call … "aggregation", although the term is a misleading one' (Coleman 1986, p.347). As is already apparent, the economist's mode of theory is perceived to be attractive. Indeed, 'despite the misnomer, "aggregation", that economists have given to the problem of moving from individual to macro level, economists may have made the most progress in addressing it. Their principal tool is the conception of rational action carried out in a competitive market' (*ibid*.). Economists are seen as deficient only for not having shown that aggregate outcomes in terms of the social are consistent with individual optimisation, explained in the following terms:[24] 'because it is insufficient to aggregate; it is also necessary to show how aggregation is consistent with reproduction of social structures in which individuals act' (*ibid*., p.360).[25] Further, 'social norms … give a sense of the problem … the correspondence between social reality and the existing or potential social theory. What is necessary for reality is to have social institutions … which translate individual tastes and endowments into a set of prices and a distribution of goods or into a collective decision. What is necessary for social theory is to have conceptual devices to describe that translation'. Finally, in general discussion, Coleman makes it explicit that his divorce from economics could readily become a marriage of convenience, for 'the

appropriate paradigm for sociology … is derivative from Walrasian general equilibrium theory, though one which deviates from that theory … in part because of social structure, which a Walrasian system ignores' (*ibid*., p.364). The only other part that Coleman mentions as deficient within the Walrasian system is the absence of market imperfections. In other words, the new micro-foundations, in using market imperfections to explain the social on the basis of methodological individualism, can be seen to have attained Coleman's goal for social theory.[26]

In short, for all rational choice theory, a reduction of the social to the aggregate of individuals is involved. It is complemented in the case of a colonising economics by a further step - the reduction to market imperfections. This is most apparent in the case of the new institutional economics. Here, the perfectly competitive economy (transaction costless, fully informed) is taken as a point of departure in order to explain why non-market institutions exist. This, however, leaves open the initially given conditions which determine allocation between market and non-market - why are resources, information, etc the way they are? As it were, the boundary between exogenous and endogenous has only been slightly shifted to widen the analytical scope in explaining the market and non-market divide. Two options are open for proceeding further. One is to appeal to 'history' in the form of initial conditions, more on which below. The other is to shift back the boundaries of endogeneity even further. This has been made explicit by Williamson (1998), who has ultimately proposed a four-tier analytical schema. At the lowest rung, 'third order economising', is resource allocation theory that is appropriately addressed by neoclassical economics: 'get the marginal conditions right'. It is set within the context of second-order economising, which is devoted to contracting, and analytically subject to transactions costs economics: 'get the governance structure right'. This in turn is determined by first-order economising, concerned with the formal rules of the game, to be examined by the economics of property rights: 'get the institutional environment right'. Finally, social theory is the broadest, first tier, encompassing 'embeddedness: informal institutions, customs, traditions, norms, religion'. It appears to eschew economising and is the subject of social theory. Williamson also provides for feedback mechanisms between adjacent tiers. This is clearly arbitrary, and there is no reason why one tier should be privileged over another and why all should not be determined simultaneously. Indeed, the whole analytical schema is a consequence of taking third-order economising as the starting-point and, partly by design and partly of necessity, moving to 'higher' levels of analysis which might, on a more circumspect approach, be considered to be more appropriate to begin with.

Similar considerations apply to the work of Douglass North. The differences, terminological or substantive, between him and Williamson can only be exaggerated given what they share in common. North begins with the need to set optimising individuals and resource allocation in the context of property rights. In a painfully slow and pedestrian fashion, as his work evolves over time, the issue of property rights is set within the context of institutions. Both property rights and institutions themselves evolve over time, not necessarily efficiently and with path dependence, with choices being made in the light of individual motivation. The latter is, in turn, related to ideology and vision, for it is otherwise impossible to explain why there would be any major historical change. Consequently, like Williamson, North's approach is heavily influenced by its starting-point in mainstream neoclassical economics. The borders of what is economic and the scope of analysis of the non-economic are extended. Nonetheless, there exists an

unexplained residual beyond the boundaries, what is ideology for North and the subject matter of social theory for Williamson. For North:

> The dilemma of explaining change can be put succinctly. Neoclassical economic theory can explain how people acting in their own self-interest behave; it can explain why people do not bother to vote; it can explain why, as a result of the free rider problem, people will not participate in group actions where the individual gains are negligible. It cannot, however, explain effectively the reverse side of the coin … How do we account for altruistic behavior … Neoclassical theory is equally deficient in explaining stability. Why do people obey the rules of society when they could evade them to their benefit? … Something more than an individualistic calculus of cost/benefit is needed in order to account for change and stability … Individuals may also obey customs, rules, and laws because of an equally deep-seated conviction that they are legitimate. Change and stability in history require a theory of ideology to account for these deviations from the individualistic rational calculus of neoclassical theory. (North 1981, pp.11-12)

Consequently, the methodological differences between both Williamson and North, on the one hand, and Becker, on the other, can be precisely located. For the latter equally subscribes to the big bang explanation derived from the core neoclassical model. But he does not admit to any universe beyond the scope of its analytical reach, merely adding ad hoc assumptions in order to encompass all human behaviour within his economic approach. In addition, he is not so inclined to allow feedback mechanisms from the various 'tiers' of analysis, characteristic of North and Williamson.[27]

Three features stand out from this account. First, it is notable how the movement through the tiers represents an incursion into the subject-matter of other disciplines. Second, the basis for doing so arises out of the market imperfections of the third, if initiating, tier. Third, the concepts attached to other disciplines are being deployed informally without careful regard to their own analytical roots. The capacity to do this derives in part out of the way in which the social is being analytically reintroduced. Neoclassical economics is well known to rely upon universalised, asocial and ahistorical categories such as production, consumption and utility to address socially and historically specific contexts. Heilbroner and Milberg (1995, p.6) refer to a 'widespread belief that economic analysis can exist as some kind of socially disembodied study'. This results in its being unable to acknowledge that its objects of study are subject to social construction in meaning. In addition, however, the generality of the concepts employed allows them to be highly plastic in their application by others. Precisely because the social and historical have been taken out of economics by the marginalist revolution, they can be restored to suit any particular application.

At what is often a less grand level, these points are illustrated by more recent attempts to incorporate economic history within the compass of the new micro-foundations. Cliometrics originally launched an assault on economic history on the basis of perfect competition, subsequently considered sufficiently unrealistic and inadequate that North, one of its leading pioneers, felt obliged to deny its worth. Now, however, the new economic history comes improved, confessing to its sins of the past, and positively promoting the idea that markets work imperfectly and that institutional and other responses to such imperfections are the way in which to understand economic history. This is illustrated by a series of edited

volumes organised around business history (Temin (ed.) 1991, Lamoreaux and Raff (eds) 1995, and Lamoreaux et al (eds) 1999).[28] The first of these confesses that earlier work had been bedevilled by relying too heavily on a model of perfect competition, so that 'traditional economic theory … is of only limited use to business historians' (Temin 1991, p.7). But these deficiencies are to be made good by embracing the new micro-foundations. As Temin (1991, p.2) puts it, 'the first theme is analytic … information is the key element to the functioning of an enterprise'. But, by the third volume, the introduction is making even grander claims: 'More than any other factor, the ability to collect and use information effectively determines whether firms, industry, groups, and even nations will succeed or fail' (Lamoreaux et al 1999, pp.14-15).

Reliance upon the new micro-foundations, however, creates problems for historians, since the associated models are timeless. This is recognised in a way that makes the understanding of history (as time and context) precise. For:[29]

> The historian critics should take heart from the way the economists' literature developed … The first game theorists had sought unique equilibrium solutions to their problems. These would inevitably be independent of history. But, as research advanced, it became clear that the games frequently possessed multiple equilibria. Because only one outcome could actually happen, theorists needed to think about selection principles. Players' expectations came to be recognised as quite important, as did the history of relations between the players. Time and context mattered after all. (Lamoreaux and Raff 1995, p.5)

Essentially, this leaves historians in the role of servants of economists, uncovering the particular initial conditions, choice of equilibrium or path dependence to be attached to underlying models.[30]

In a relatively mild form, the example of business history reveals a particular feature of economics imperialism in its relationship to other disciplines. It proceeds by plundering them, whether formally or informally, for the raw materials with which to employ the micro-foundations. A typical example is provided by Crafts, for whom[31] 'Gerschenkron on development from conditions of economic backwardness still deserves to be read and might usefully be revisited from the perspective of modern microeconomics' (Crafts 1999, unpaginated). Interestingly, Crafts is contributing as an economic historian to an assessment of the state of development economics. This has itself been subject to major assault, not least in the form of the post-Washington consensus, spearheaded by Joe Stiglitz, longstanding and leading new micro-foundationist.[32] In his hands, as the leading representative of the new development economics, development studies in general are reduced to market imperfections[33] For this, the old neoclassical model is taken as a point of departure:

> In leaving out history, institutions, and distributional considerations, neoclassical economics was leaving out the heart of development economics. Modern economic theory argues that the fundamentals {resources, technology, and preferences} are not the only … determinants of economic outcomes … even without government failures, market failures are pervasive, especially in less developed countries. (Stiglitz and Hoff 1999, unpaginated)

Further, with casual reference to the Black Plague, as an illustrative accident of history, and to multiple equilibria, an explanation is provided for the fundamental problem of why 'developed and less developed countries are on different production functions':

> We emphasize that accidents of history matter … partly because of pervasive complementarities among agents … and partly because even a set of dysfunctional institutions and behaviors in the past can constitute a Nash equilibrium from which an economy need not be inevitably dislodged (*ibid*.).

Not surprisingly, Yusuf and Stiglitz (1999) feel able to divide development issues into those that are resolved and those that are not. These seem unwittingly to fall into the theoretical as opposed to the policy issues, respectively, not least because the analysis is one of market imperfections but the policy will depend upon their diverse incidence in practice.[34]

Both the new, or should it be newer, economic history and the new development economics provide examples of an economics imperialism in which existing knowledge is potentially plundered and reproduced on the basis of information-theoretic micro-foundations. However, the broadest example of such colonisation is to be found in the increasingly fashionable notion of social capital. I have read so obsessively on this topic, and written so much already, that I will confine myself to a few brief remarks.[35]

Social capital has risen to prominence in little more than a decade, with the work of its leading proponent, Robert Putnam, reputedly the most cited across the social sciences in the 1990s. Its origins derive from James Coleman, Becker's *alter ego* in sociology at Chicago, although earlier work by the French progressive, Pierre Bourdieu, with a more radical and discursive content, has essentially been excised. The concept itself has become as chaotic and wide-ranging as its analytical fellow traveller and rising star, globalisation. Effectively, rather than anything that straddles national borders, it is anything that is 'social' other than through the market, with the social thereby ranging over networks, customary values and the like. It is perceived to offer a residual explanation for all social outcomes, displaying a gargantuan appetite across the social sciences, with its application having encompassed everything from individuals to societies (although global social capital has not yet figured to my knowledge, it ought to do so at least to address the international networks, powers and ethos of those running the world). A partial list of its scope of topics includes explanation for the sick, the poor, the criminal, the corrupt, the (dys)functional family, schooling, community life, work and organisation, democracy and governance, collective action, transitional societies, intangible assets or, indeed, any aspect of social, cultural and economic performance, and equally across time and place. On the other hand, social capital has been deployed across theories and methodologies as diverse as postmodernist Marxism and mainstream neoclassical economics. Everything can be interpreted through or as social capital. It is truly the academic's Third Way!

Deriving from sociology for Coleman, and political science for Putnam, social capital has essentially sought to appropriate all social theory and accommodate it within, and reduce it to, its own approach. In this sense, it is the social sciences' counterpart to economics imperialism. For social capital is colonising social theory on the basis of the approach that both draws upon Coleman's rational choice and proceeds by concealing it through adoption of the traditional social categories and objects of study. Nor do social capital and economics imperialism occupy parallel universes. They overlap, as has already been indicated in light of the paradox of Becker's lead in using the notion. He does so primarily in terms of social capital as social interaction (between individuals other than through the market) and learning, with little if any regard otherwise to informational imperfections. More generally, for economists, social capital serves

to fill out entirely the residual explanation - theoretical and empirical - after taking account of those based on direct individual optimisation through the market. The term residual is used advisedly, with its resonance in the use in growth theory of total factor productivity to measure unexplained productivity changes. Indeed, social capital in a wide variety of ways is used as if it were a factor input in new Barro-type growth regressions, indicating the crudest accommodation of social theory to existing economic principles. Bang in the social as an independent variable in the regression![36]

Social capital raises again, in its specific context, the issue discussed earlier of whether the other social sciences are colonising economics or vice-versa. To labour the metaphor, is one or the other an inter-imperialist rival or sub-imperial ally? 'Social capitalists' like to believe that they are civilising economists, prising them away from their reliance upon perfect competition and their failure to take the social seriously. Whilst there may be some element of truth in this perspective, the bigger picture suggests the opposite. Such proselytising social capitalists are working with a model of economics that has already been superseded by the new information-theoretic approach (not that market imperfections as such are novel to the mainstream). Further, the impact of social theory on this approach is not to change but to feed it with raw materials for reconstruction of the social as market imperfection. Finally, given its methodology and assumptions, unchanged from the old, the new approach is not open to transformation in the foreseeable future nor in a foreseeable fashion, not least given its extraordinary intolerance of dissent within its own discipline.[37] It is not possible to imagine how mainstream economics will transform itself other than through colonisation of the other social sciences, lest it be through the adoption of a wider set of esoteric models derived from biology (evolution), physics (chaos), or otherwise.[38] If heterodox economists are not tolerated by the orthodoxy for, in part, raising a challenge to methodological individualism, why should non-economists succeed?

5 Concluding Remarks

In assessing economics imperialism, emphasis has been placed on the reductionism deployed - of the economic and social to market imperfections - and how this has induced a plundering of existing analyses so that they can be reproduced within the new framework. An inevitable consequence is to impoverish colonised knowledge by stripping it down and discarding any element that does not fit into, or is not necessary for, the new approach. In an extreme form, other social sciences are used at most to define a problem for economics, with analysis based on mere speculation or casual knowledge. Becker is notorious for this with, for example, the economics of crime based on his dilemma on whether to risk a parking fine or not, or his notion of social capital drawn from observation of a differences in popularity of otherwise identical restaurants.[39] As John Hey, previously managing editor of the *Economic Journal* has observed, there is a 'journal game' being played by economists, drawing upon irrelevant material to address stylised facts as casually observed by the author concerned, with the obligation only to demonstrate cleverness rather than addressing crucial economic problems.[40]

If such games are adjudged to be unacceptable within economics itself, there is no case for extending them to the traditional terrain of other social sciences. When doing so, economics imperialism often displays a stunning ignorance of the research available in the chosen sphere of application. For plunder requires only a very limited knowledge of the artefacts being appropriated. By the

same token, there is often an equally unseemly display of arrogance, as well-established results are discovered anew and claimed as innovative in view of the reductionist methods through which they have been obtained and the failure of others to have done this previously both scientifically and rigorously. Can it really be the case that economists have the nerve to tell other social scientists that history, institutions, and collective forms of behaviour matter? Heilbroner and Milberg (1995, p.6) refer to an 'extraordinary combination of arrogance and innocence'. As Ingham observes in reviewing the new economic sociology:[41]

> It is difficult not to share this irritation when confronted, for example, with ... 'agency theory' which quite simply tries to reduce the complexity of social and economic organisation to the individual propensities of the amoral maximiser ... The issue is not merely that this form of theorising can easily be made the subject of cogent theoretical and empirical critiques ... but that the authors were so structurally insulated by the social organisation of intellectual specialisation that they were able to disregard the huge non-economic literature on the very problems that they had posed for themselves. (Ingham 1996, p.262)

Are these merely the exaggerated claims of a few disgruntled individuals? If so, the assessment by *The Economist* with which this article began would have to be dismissed along with the economist with whom it draws to a close. Lazear's 'Economic Imperialism' is an unwitting parody of the ideas presented here; it is replete with the claim that economics is rigorous and scientific, drawing upon casual references to classics such as Aristotle, Smith and Ricardo but with particular homage paid to Becker. For economics is 'the premier social science' in terms of its popularity, with the ability 'to address a large variety of problems drawn from a wide range of topics' (Lazear 2000, p.99). For 'the power of economics lies in its rigor. Economics is scientific; it follows the scientific method of stating a formal refutable theory, testing the theory, and revising the theory based on the evidence. Economics succeeds where other social sciences fail, because economists are willing to abstract' (*ibid*., p.102). Further, 'during the last four decades, economics has expanded its scope of inquiry as well as its sphere of influence' (*ibid.*, p.99), stripping away complexity to get at what is essential - drawing upon three themes - individual maximisation, equilibrium, and efficiency. On this basis two claims are made: 'economics has been imperialistic and … economic imperialism has been successful' (*ibid.*, p.103). The topics concerned include intra-firm behaviour, modelling tastes, demography, discrimination, the family ('Ideas that were considered bizarre and almost comical twenty years ago are now standard' (*ibid*., p.112)), social interaction, religion, human capital, personnel economics, finance, accountancy, organisation, marketing, law, political economy, health, and linguistics (understood as why majority languages are liable to prosper because of externalities between speakers).[42] Whilst it is suggested that 'rigour' need not be mathematical, no other sort of rigour is cited. Indeed, 'it is the obsession with theories that are consistent, rational, and unifying that gives economics its power … Economics has been successful because, above all, economics is a science' (*ibid.*, pp.114-5). In terms of how economics imperialism evolves, Lazear acknowledges that one problem is that economists make simplifying and general assumptions that narrow its scope of applicability. This contrasts with the approach of 'broader thinking sociologists, anthropologists and perhaps psychologists [who] may be better at identifying issues, but worse at providing answers … [hence] much can be learned from other social scientists who

observe phenomena that we often overlook' (*ibid.*, p.103). Finally, colonisation can proceed either by invasion or internalisation, for 'one possibility is that scholars outside of economics use economic analysis to understand social issues … Another possibility is that economists expand the boundaries of the economics and simply replace outsiders as analysts of `non-economic´ issues' (*ibid.*, p.104).[43]

Lazear undoubtedly views economics imperialism as progressive because of his faith in economics and its potential scope. Irrespective of the veracity of his claims for economics as rigorous and scientific, and his description of what economists do in fact do in terms of verifiability, he might be right even if for the wrong reasons.[44] On the assessment offered here, is economics imperialism to be rejected? An answer cannot be provided on the basis of developments within and around economics alone. For progress depends on the broader context. Neoclassical economics itself recognises this in its theory of the second best.[45] And there are positive sides to economics imperialism as it undermines the dogma of neo-liberalism, promotes interdisciplinarity, and bypasses, rather than draws from, the worst excesses of postmodernism. These features have endeared some of the colonised to the colonisers, not least in the shift from human to social capital, for example. However, the basis for economics imperialism within economics in terms of the new micro-foundations is so hegemonic that the prospect of its successful transposition to other social sciences, with little or no alternative economic analysis for the latter to draw upon, is most alarming. As Heilbroner and Milberg (1995, p.87) put it, 'Once the dismal science, it will become the irrelevant scholasticism'. In this light, economics will have turned full circle since being dubbed the dismal science by Thomas Carlyle. For, far from reflecting an animosity to Malthus's theory of population as commonly interpreted, not least by Heilbroner (1986, p.78), Dixon (1999) argues that Carlyle used the term to describe the forward march of supply and demand and the utilitarian doctrines of political economy.[46] In a wondrous anticipation of the motives for economics imperialism, Carlyle's grounds for rejecting 'the laws of the Shop-till' were that 'this Universe is not wholly a shop'. His stance was motivated by the wish that the labour market should not settle the wage, and that non-market relations be used by those in authority to compel labour to work, even supporting slavery, and maintain the present orders of servitude. At least Carlyle recognised the imperatives of class and power in resisting the incursions of a colonising political economy. Informational and market imperfections are the tame equivalent by which present-day economists would complement the universe of supply and demand.

Thus, in judging whether economics imperialism is progressive or not, it is a matter of good news and bad news. The good news is that an economic content is being embraced more fully within the other social sciences and that mainstream economists are beginning to address the social once again, bringing it back in after it was banished in the wake of the marginalist revolution. The bad news is that, despite rejecting perfect competition as its benchmark and means for reducing the social to the economic, the only additional explanatory device appended is that of asymmetric information. The reductionism is not quite so horrendous but the scope of the reduced form is far more wide-ranging, other than for the bananalytics of Becker at his most extreme.

There are ways around these conundrums, given the traditional and lingering suspicion of mainstream economics by other social scientists. One of them is to continue to neglect the economic side of things and to retreat into a postpostmodern discursive realm of culture and interpretation of the meaning of

things, in which material influences are acknowledged as important but not examined closely. Slater perceives this as reinforcing a longstanding polarity:

> The division between economic and socio-cultural analysis constitutes a kind of deep structure of modern western thought. While it has been a favourite pastime of critical thinking since early modernity to attack the formalism of economic theory, we have been less good at reflecting on how critical and cultural analysis has itself been structured by this opposition. Essentially, critical thought has generally accepted the same terms of engagement as does economics, in which culture and economy are seen as macro-structures operating on each other as externalities; each sees the other as a global force or potential impurity pressing on it from outside. (Slater 2000)

Thus, as economics imperialism proceeds, it will be unchallenged by such disciplinary enclaves. Integration will still be realised across the social sciences and economics. The issue will be on what terms. To retreat into the cultural will serve to strengthen the hand of an economics imperialism that is ignorant and dismissive of the cultural, indeed, the truly social, content of its objects of study.

The alternative is for the re-emergence and strengthening of a genuine political economy, inspired by the clashes between social theory and economics imperialism. By this, I mean an approach to economics that is systemic (understands the social as distinct from aggregation over individuals), is socially and historically specific (as opposed to universal and timeless, thus dealing with the nature of capital and of capitalism), and addresses issues of class, conflict, power, tendencies, structures, and so on. In part, this depends upon reclaiming the knowledge lost by social theory in its postmodernist turn and that lost by the discipline of economics through lack of interest in, and tolerance of, its own history and traditions. It also depends upon theoretical advance by taking account of the economic realities of contemporary capitalism, woefully overlooked in the rush to test ever more esoteric theories against empirical evidence. Whilst economics imperialism has delivered a terrible beating to political economy, the latter has the opportunity to prosper once more as its host discipline collapses under the weight of its own ambition and rotten core. The parallel with the rise and fall of the Roman Empire should not be taken too seriously. But political economy will only prosper if it seizes the initiative as opportunities open up to raise the economic content of the social sciences. Otherwise, scholarly barbarism is ready to divide up the analytical spoils, already apparent in case of globalisation and social capital, ultimately relying upon methodological individualism albeit with a protective belt of eclecticism and empiricism.

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Notes

[1] I prefer the term economics imperialism, as well as colonisation of the other social sciences, but not economic imperialism - favoured by the mainstream despite total neglect of the latter's incidence in reality, on which see Perelman (2000). Note that Olson and Kähkönen (2000) reject the term imperialism on the grounds that no force is used in the cross-disciplinary expansion by economics. They prefer the equally revealing metaphor of economics as the metropolis, extending its influence to the suburban social sciences.

[2] See Fine (1997, 1998a and b, 1999a and b, 2000a-g, and 2001a-c), and Fine and Milonakis (2000) - and Fine (1999d) in debate with Bowden and Offer (1994, 1996 and 1999), Fine (1999c) with Thompson (1997 and 1999), and Fine and Lapavitsas (2000) with Zelizer (2000).

[3] Note that Khalil (1987, p.119) observes that Stigler, Schumpeter, Blaug and others have all denied that there was a marginalist revolution. But see de Vroey (1975) for a wide-ranging list of resultant significant differences with classical political economy.

[4] Thus Hobsbawm (1997, p.99) identifies the separation of history and economics with the marginalist revolution, which was so sharp that 'the arguments and even the existence of the defeated side have largely been forgotten'. This is especially so of Marx who has, in the wake of rational choice and analytical Marxism, 'survived … insofar as the arguments … could be conducted in the analytic mode of neo-classicism'.

[5] As a leading practitioner of the application of mainstream economics to history so bluntly put it:

> Smith, Marx, Mill, Marshall, Keynes, Heckscher, Schumpeter, and Viner, to name a few, were nourished by historical study and nourished it in turn. Gazing down from Valhalla it would seem to them bizarre that their heirs would study economics with the history left out … Yet this is what happened. It began in the 1940s, in some respects earlier, as young American economists bemused by revolution in the substance and method of economics neglected the reading of history in favor of macroeconomics, mathematics, and statistics. (McCloskey 1976, p.434)

[6] Whether Coase, Williamson and the transaction costs approach represents more than a token attempt to make up the deficit is a moot point. See Slater and Spencer (2000) for a critique. More important for the themes of this paper is the extent to which such issues have increased in prominence recently, especially within the new institutional economics.

[7] For a different view, see Krugman (1998) who agrees that mathematical economics has a poor image outside the profession but argues that it has been in touch with the real world and policy, only neglecting popular elaboration of its ideas and significance. For a disparaging view of Krugman's claim, as being based on his own pretensions in creating and serving in the role as people's mathematical economist, see Martin (1999). The main thrust of his article, however, is to mount a devastating critique of the new economic geography, for which Krugman is a leading representative. It provides an exemplary illustration and critique of economics imperialism. For further critiques of Krugman, see Klamer and Meehan (1999) for his putting his own views forward with undue confidence and his failure to explain why academic economics is not more influential with policymakers, and Amariglio and Ruccio (1999) for his failure to treat non-academic forms of economics discourse seriously.

[8] Note that Esping-Andersen (2000) suggests that sociology is marked by the extent to which it revisits its classics, not least because of its failure to provide newer more

satisfactory theoretical contributions. In my own experience, recent graduates in economics are remarkably unaware of the most recent history of neoclassical economics itself, not having heard for example – and why should they – of Paul Samuelson!

[9] As Blaug (1998b, p.45) puts it:

> I am very pessimistic about whether we can actually pull out of this. I think we have created a locomotive. This is the sociology of the economics profession. We have created a monster that is very difficult to stop.

[10] See Arrow (1994) for rejection of methodological individualism within economics on the grounds that it cannot be achieved in practice, practitioners' prejudices to the contrary, in view of given prices, needing to take the rules of the game (theory) as given, or externalities in access to the pool of knowledge. I have made the same point differently in arguing that, in contrast to the internal causal content derived from within formal models, as emphasised by Dobb (1973), external causal content within neoclassical economics is a consequence of the social content that is taken as given for the purposes of individual optimisation (Fine 1980). See also Lawson (1997) for the notions of intrinsic and extrinsic closure.

[11] Thus, as Hahn and Solow (1995, p.vii) put it in criticising the new classical economics:

> We also both regarded ourselves as neoclassical economists in the sense that we required theories of the economy to be firmly based on the rationality of agents and on decentralised modes of economic communication among them.

[12] Hobsbawm (1997, pp.106-7) dates the imperialism of economics from the 1970s, its analysis of 'crime, marriage, education, suicide, the environment or whatnot, merely indicates that economics is now regarded as a universal service-discipline'.

[13] See the account, sanctioned by Becker in celebrating his 65th birthday, of his 'essence' given by Febrero and Schwartz (1995, pp.xx-xxi) which suggests:

> Many activities thought to be noneconomic in nature … are actually economic problems. Economic theory can thus help explain phenomena traditionally located outside the scope of economics, in the areas of law, sociology, biology, political science, and anthropology … The development of this economic imperialism … is another significant contribution that Becker has made to modern economics.

Further, the following is claimed for Becker's obsessive reductionism:

> By using Occam's razor to cut away ancillary assumptions, he reduces his axioms to one: that all actors in the social game are *homines economici* – economic persons, rational agents who maximize their advantages … Inductivists would not believe it, but, by placing his models on this minimalist fulcrum, he shifts huge problems that other social scientists found immovable. (p.xvii)

[14] Further, on suggesting in the late 1970s in the sociology department at Chicago that there should be a course on microeconomics for sociologists, 'the audience booed me' (*ibid.*, p.34). Such disapproval is, in part, courted. For, although this is exactly what he does analytically, Febrero and Schwartz (1995, p.xix) claim that:

> He modeled the family as a multiperson production function, as a 'factory', he says, to shock sociologists.

And, although claiming to be neither conservative nor radical, Becker can hardly be described as progressive. This is revealed by Becker and Becker (1996), a collection of

Business Week articles, not only in his mode of argument but in his conclusions, which include stances against affirmative action, no-fault divorce, minimum wages, government expenditure and industrial policy, and in favour of vouchers for (third world) schooling and higher penalties for crime.

[15] See also Elster (1990, p.238) who sees Becker as reflecting 'the imperialist trend of economics, which … just ignores sociological theory in its attacks on sociological problems', as opposed to Akerlof, who 'takes sociological theory seriously and uses it to study economic problems'. Note that the critique of Becker for relying on perfect competition is misplaced, since he accepts the presence of monopoly and even (individually rational) collective action (Becker 1996). But his preference is to explain as much as possible on the basis of perfect competition, full employment, unchanging preferences, etc, unless forced to do otherwise by empirical observation or the object of study.

[16] As will be apparent, it is more appropriate to view Akerlof as taking economics to sociology than vice-versa, both in specific substance and in the broader processes of colonisation to follow.

[17] Significantly, Harcourt (1997) considers this discourse on socialism to contain the finest available critique of mainstream economics, reflecting the opposition within the mainstream between models based on perfect competition and imperfect information. Although it was supposedly written without the benefit of any personal experience of the socialist countries, Harcourt also counts over a hundred references to Stiglitz's (co-authored works, indicating the analytical breadth of application of the new information-theoretic economics. The idea that socialism can be understood by reference to market imperfections is the counterpart to the market socialism debate in which the latter is understood through perfect, decentralised markets. Each of these approaches reflects economics imperialism, notably for the reduction of the notion of socialism to particular mainstream economic models. See Milonakis (2000).

[18] For an extended discussion, see Fine (1998a).

[19] See Fine (1998a) and also Spencer (1998). For a recent and striking example of convergence between radical political economy and orthodoxy, see Bowles and Gintis (2000).

[20] Note that, over the past five years, the *Journal of Economic Literature* has published articles on economics and the arts, emotions, psychology (twice), religion, preference formation, political science, corruption, sociology (twice), the family, and altruism.

[21] See Becker (1996) as well as the work of his acolytes such as Tomassi and Ierulli (eds) (1995). Even Lazear (2000), a proud observer of economics imperialism, only contains asymmetric information as a leitmotif with no reference, for example, to the work of Stiglitz – despite reference to the new financial economics for which Stiglitz is an acknowledged pioneer.

[22] This language deliberately mirrors that of Kuhn's approach to scientific progress and revolution in terms of paradigms. For a discussion of economics imperialism in these terms, see Fine (2000g).

[23] See Fine and Leopold (1993) and Fine (2000f) for a more recent assessment for historians in light of the themes of this paper.

[24] Here, and elsewhere, it only seems possible to understand Coleman on the basis of his ignorance of mainstream economics or his viewing it as confined to partial equilibrium – interestingly, a major characteristic of Becker's work.

[25] See also p.363:

> Satisfactory social theory must attempt to describe behavior of social units, not merely that of individuals … it must nevertheless be grounded

> in the behavior of individuals … the central theoretical challenge is to show how individual actions combine to produce a social outcome.

[26] In this respect, the social is simply the systemic sum of the individual parts. As Heilbroner and Milberg (1995, p.87) suggest:

> 'Micro' and 'macro' merge, in that microbehaviour cannot be understood without taking cognizance of its social origins, and social forces remain empty abstractions unless they enter into the motivational concreteness of one or more individuals.

[27] In his latest contribution, North (1999) displays a remarkable ability to have his cake and eat it. He deploys optimising agents within given constraints, but they are bound to evolving ideological beliefs. He privileges the latter causally, but also allows for circular interaction. And whilst most change is incremental, it can also be rapid.

[28] See also Lamoreaux et al (1997) and Lamoreaux (1998).

[29] Note that Gibbons (1997, p.127) observes in his survey:

> Game theory is rampant in economics … game-theoretic models allow economists to study the implications of rationality, self-interest and equilibrium, both in market interactions … and in nonmarket interactions.

[30] That this is so is recognised in terms of denial:

> We do not see business historians as research assistants for economists who engage in a higher level of thinking. (Lamoreaux et al 1997, p.77)

But this is only in order to encourage historians themselves to engage in or apply such higher level thinking in comparative work.

[31] However, for Crafts (1999), whilst he 'can be construed in terms of modern microeconomics … (this) does not mean that his underlying view of the role of the state in the development process is acceptable', because of his neglect of sources of total factor productivity and the dangers of government as opposed to market failure.

[32] For a major platform in the launch of the post-Washington consensus, see Stiglitz (1998), contributing as Chief Economist and Senior Vice-President at the World Bank. For critical reception, see for example Fine et al (eds) (2001) and Standing (1999).

[33] See Stiglitz (1989) for an early statement and also Krugman (1992)

[34] This approach is beautifully complemented in-house by North (1999, pp.23-4):

> There is no such thing as *laissez-faire* … Any market that is going to work well is structured … by deliberate efforts to make the players compete by price and quality rather than compete by killing each other … What you try to get government to do … is to structure the game so you force the players to compete by price and quality rather than compete in other ways. It means you must structure factor and product markets differently; it means you must structure a labour market, a capital market. I feel very conscious of this because for the last half-dozen years I have been an adviser to the World Bank on a set of policies in which we have attempted to look at how to structure various kinds of markets to work well. And it has been an education. With telecommunications … the structure at one moment of time which might work well, is not going to be the same as at another moment of time, because technology has changed the industry from being a natural monopoly to being a competitive industry. And therefore radically different policies may be involved, with respect to the way in which you want the game structured to get the results that you want.

[35] See Fine (2001a)

[36] Even so, practitioners have their reservations. For Temple (2000):

> The fundamental problem here is that the most general model, which in principle would allow us to discriminate easily between the competing hypotheses, has already become too large to be informative.

Nonetheless, he holds out the hope that social capital will become as widespread in use as human capital.

[37] See Lee and Harley (1998) for the UK, Hodgson and Rothman (1999) for US influence, and Coats (ed.) (1996) (for Americanisation for which read, in addition, monopoly by the mainstream).

[38] Interestingly, mainstream economists and critics of my position have both perceived this as the way forward for the orthodoxy. See Thompson (1997 and 1999), for example, who appears to draw upon Hahn (1991). See also contributions to *Journal of Economic Perspectives*, vol 14, no 1, 2000 for mainstream views about its own future.

[39] See Becker (1996), and for an account of the sources of his inspiration, and other illustrations of their own, the edited collection of his disciples, Tommasi and Ierulli (eds) (1995). Note that Solow (1990, p.276) sees Becker as oscillating between positing the obvious and the false - but denies him sympathy in correctly anticipating that he would become a Nobel prizewinner.

[40] As cited in Blaug (1998a, p.12). See also Lawson (1997) for perceptions of economics' crisis and the methodological reasons for it from the perspective of critical realism.

[41] Further, for Toye (1995, p.64) on the new institutional economics:

> The main weakness of the NIE as a grand theory of socio-economic development is that it is empty ... the theory adds nothing to what we already have. No new predictions can be derived; no new policies recommended. No historical episodes can be explained better now than they were by the historians who have already studied them.

[42] Note that Becker (1990, p.41) refers to a seminar (by David Laitner) on why one specific language rather than another should be chosen on the basis of rational choice. The reductionism in this instance, and associated plundering, ignorance and arrogance in addressing linguistics, is truly astonishing.

[43] See also Hirshleifer (1985, p.53), quoted in Heilbroner and Milberg (1995, p.110):

> There is only one social science. What gives economics its imperialistic invasive power is that our analytical categories - scarcity, cost, preferences, opportunities, etc - are truly universal in application. Even more important is our structured organization of these concepts into the distinct yet intertwined processes of optimization on the individual decision level. Thus economics does really constitute the universal grammar of social science.

[44] Note how backward is Lazear's notion of science and rigour, with no apparent awareness, for example, of Kuhnian debates over such matters. For economics imperialism interpreted in the light of debate over paradigm shifts, see Fine (2000g).

[45] A sufficient, if not necessary, condition on which to make a judgement is whether economics and other social sciences are gross substitutes for one another or not!

[46] See also Persky (1990).

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